

LONDON GOVERNMENT: THE CURRENT PRIORITIES OF THE 32 LONDON BOROUGHES AND THE CITY OF LONDON

CLIENT BRIEFING



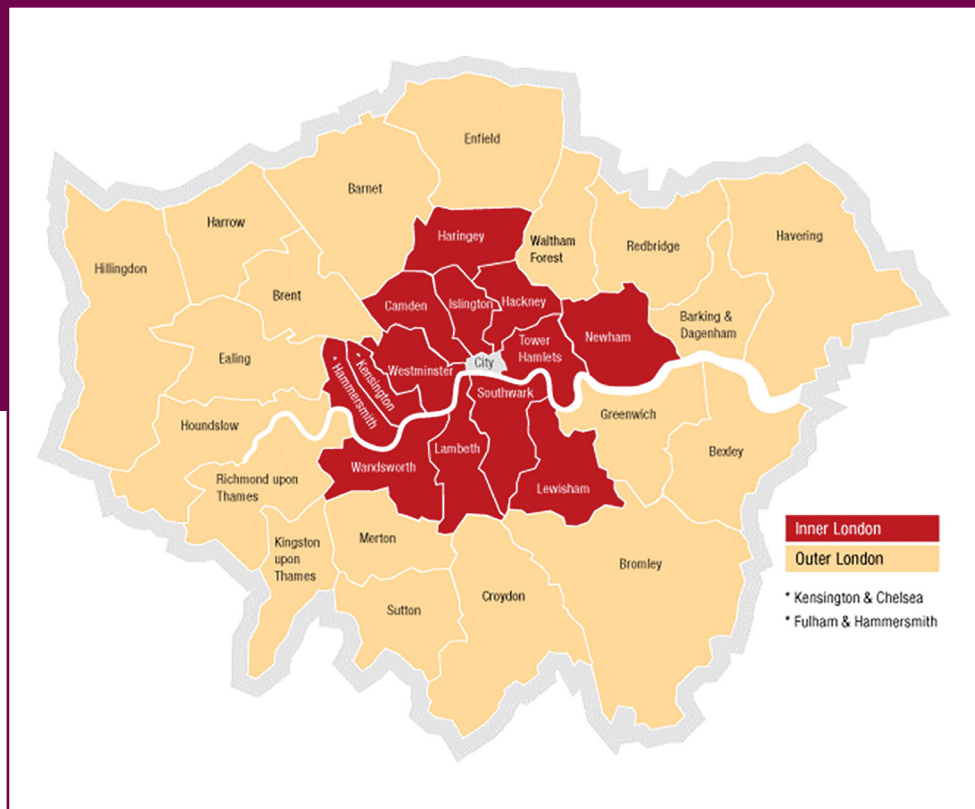
INTRODUCTION

London covers an area of over 1,500km² with a population of over nine million living within the administrative boundaries of 32 Borough Councils and the City of London¹.

The planning system continues to undergo significant changes by the introduction of radical planning reform and a shift in power to reach ambitious targets set by the UK government. Whilst planning reform is not novel, during 2022 there have been a number of key changes to the planning system. These include the publishing of the Levelling-Up White Paper², the presentation of the Good Growth Plan³ to parliament and the introduction of Investment Zones⁴.

Approximately **65,500** planning applications reached determination in London during the year 2021-2022. **80%** of these resulted in the granting of permission progressing growth and prospects across London. This however was not enough to reach the ambitious target set out by the government to reduce inflation and support growth.

We assess the performance of the London boroughs and understand how, or if, the Levelling-Up Agenda and other key reforms are likely to aid the boroughs in meeting the government's ambitious development targets.



<https://sites.google.com/site/citiesinengland/home/london-definition>

THE MAKE-UP OF THE LONDON BOROUGHS

The London boroughs comprise of the 32 local authority districts that, together with the City of London, make up the administrative area of Greater London. For planning purposes, in addition to the boroughs and City, there are also two active development corporations, the Old Oak and Park Royal Development Corporation and the London Legacy Development Corporation.

13 of the boroughs are designated as Inner London boroughs and 20 as Outer London boroughs as see on the adjacent map. The City of London, the historic centre, is also a borough, albeit operating differently from the others. All these together make up the administrative area of Greater London, as well as the London Region, where they're all governed by the Greater London Authority.

RISING DEMAND

Over the last decade, demographic change has created a significant impact for services, including the planning sector across London:



London's population is different in structure, rates of change and churn compared with other parts of England. Since 2010 London's population has increased by **905,000 (12.7%)** which is over double the growth rate of the rest of the country (**5.4%**).



The number of households in London has increased by 480,000 which equates to an increase of **15%**.



The capital has the largest number of homeless people in England with a rate of **60 per 10,000** people, an increase of approximately **52%**, with the highest rate in London found in the City of Westminster.



At **£523,666**, the average house price in London is more than double the UK average and has almost doubled from **£280,472** in March 2010.

KEY CHALLENGES

It is generally accepted that Local Planning Authorities (LPAs) across London and the rest of the UK are overwhelmed and under resourced. This is creating a crisis in the system where officers and wider planning and regeneration departments are unable to deliver timely responses, leading to significant delays in the planning system.

This briefing note will aim to explore two fundamental performance indicators. The first being the delivery of homes followed by social deprivations and inequalities throughout the London boroughs. Secondly establishing the challenges the LPAs are facing in the current economic and political climate and what can be done to alleviate the concerns.

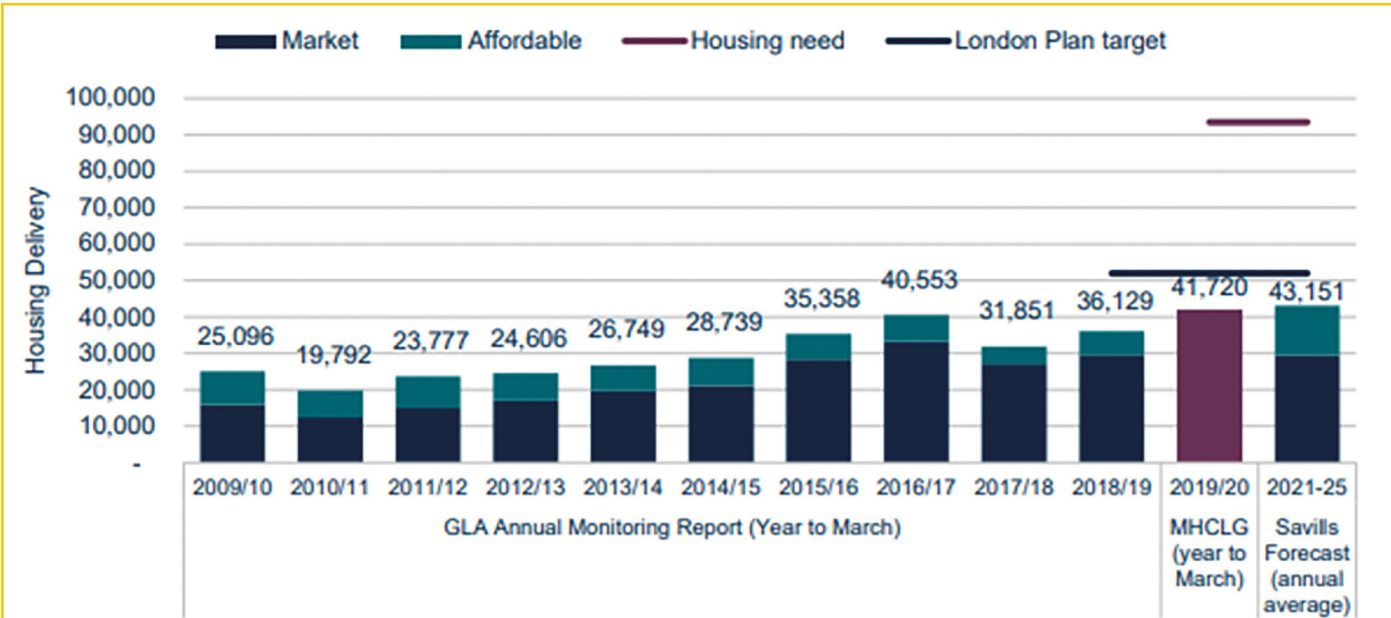
DELIVERY OF HOMES

The London Plan⁵, outlines a target to achieve **52,000** new housing completions per year, an increase from just over **42,000** in the previous 2016 London Plan. As set out in Sadiq Khan’s forward to the London Plan, this increase represents ‘Good Growth’, which is working to re-balance development in London towards more genuinely affordable homes for working Londoners to buy or rent. But will this ambition be achieved within the set time frame?

The London Plan sets out the 10-year targets for net housing completions for the years 2019/20 – 2028/29. These targets are compared to the 2017 Mayor’s Strategic Housing Market Assessment (SHMA)⁶, which identified a need for **66,000** new homes a year to satisfy housing need. More recently, under the government’s latest version of the Standard Method for calculating housing need (2021)⁷, the figure for London is **85,000** homes per year.

Aside from the above contradictions, all targets overshadow current rates of delivery in London. The below graph depicts the supply and demand mismatch:

London delivery and forecasts by tenure



Source: Savills

Data released by the Department for Levelling-Up, Housing and Communities (November 2021)⁸ highlights that only **14 out of the 33 total London boroughs showed some level of increase in the net supply of residential dwellings, with 19 having a decrease.**

The consequences of the supply and demand mismatch is housing hardship. Since 2010 the number of homeless people has increased drastically in all London boroughs, in addition to large increases of people living in temporary accommodation. Concerning more middle-income households, it has become increasingly difficult to access rented accommodation or homeownership in London as a result of rent and house prices both rising well above incomes over the last decade.

AFFORDABLE HOUSING

It’s not just the number of homes built that we need to consider, but also the balance of affordability and tenures that are essential to construct a successful housing strategy.

The need for affordable housing in London is far greater than the wider country. Based on affordability alone, the **annual need for additional affordable housing in London is 7.6 times greater than supply compared to 2.6 in the remainder of England.** This is before considering the wide range of other socio-economic reasons for households being unable to access a suitable home in the market. These wider reasons contribute to the 246,575 households who were on local authority waiting lists in London in 2020⁹.

LONDON’S HOUSING CRISIS

Whilst there are housing problems in many parts of the country, particularly in larger cities, the challenge facing London is unique, in terms of both scale and severity. The impacts on the economy, on poverty, on social and geographical mobility, and on wellbeing are of national significance. As Britain’s gateway to investment and business from around the world, and as a net contributor to the national budget, addressing London’s housing crisis has a wider relevance to the future success of the UK.

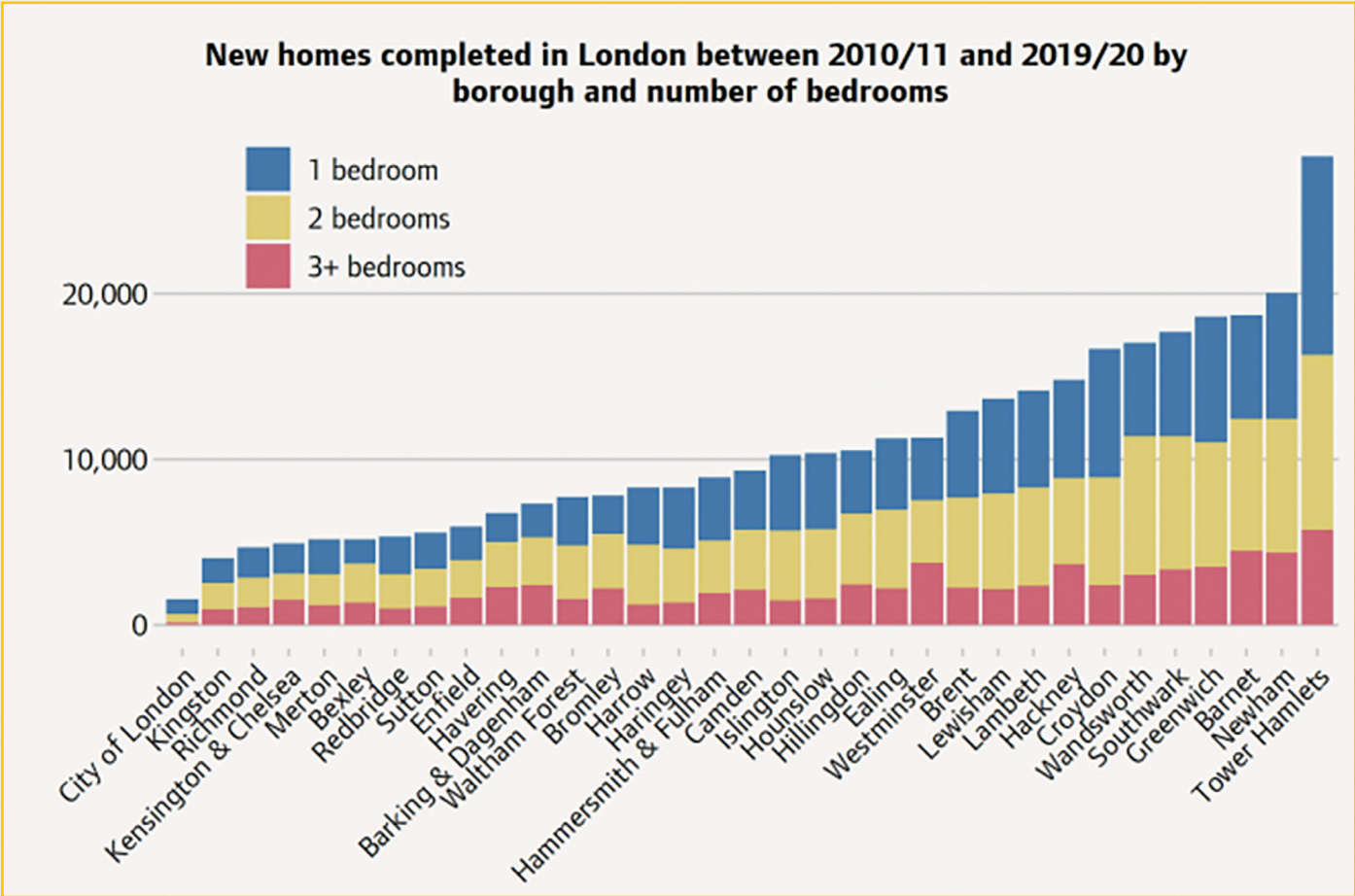
With Michael Gove newly reinstalled as housing secretary, it seems that he is undecided about the government’s **300,000** homes a year national target, firstly calling it ‘abstract’ and noting that it should not be the sole measure of the success of the housing agenda. Later backtracking on his comments and claiming that the target ‘remains undimmed.’

SOCIAL DEPRAVATIONS AND INEQUALITY

London is the UK’s only global capital with over 100 of Europe’s largest businesses having headquarters in central London. Many people believe that London receives more public funding than other areas within the UK, and that most investments are directed here.

This is not the case. London is an unequal city where a large proportion of residents are subject to social inequalities. It has huge investment needs, with severe housing shortages impacting the standard of living and creating constraints on the economy. Spending on public services per head and infrastructure investment in London is not high compared to the UK once the city’s daily commuters, tourists and visitors have been taken into consideration.

The heatmap produced by Trust for London¹⁰ indicates how London Boroughs are doing on a suite of poverty and inequality indicators from across the five themes of London’s Poverty Profile. Red cells show where boroughs are grouped as ‘worse than average’, blue where they are ‘better than average’ and grey for those that are within the average range.



Source: GLA Housing and Land

The nature of the housing challenge is different for each London borough depending on a range of factors such as:

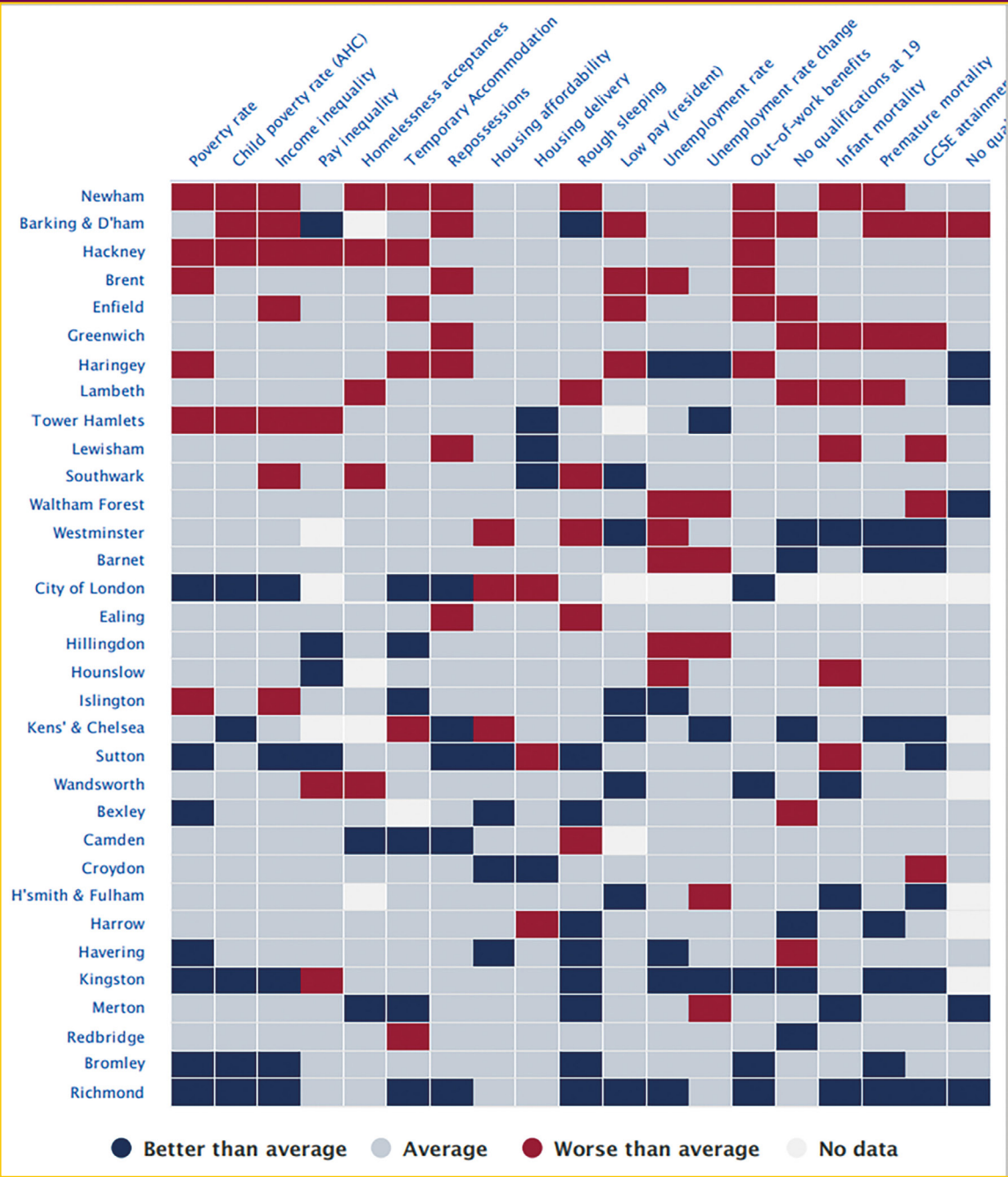
- Economic conditions;
- Value of the land;
- Political leadership;
- Site constraints;
- Adopted Local Plans;
- Funding and Investment.

Between 2010/11 and 2019/20 over **28,000** new homes were completed in Tower Hamlets, the largest number of new homes of any London borough. Newham was in second place with **20,000** new homes, closely followed by Barnet and Greenwich.

We cannot simply look at the above graph in isolation and measure the success of a LPA based on the number of new homes completed. This cannot be done without considering the factors that influence the number of new homes that are possible to be delivered within this area.

For example, we need to acknowledge the spatial differences land value between the inner and outer London boroughs.

The London Borough of Newham located towards the eastern edge of London covers an area of approximately **36km²**, compared to the central borough of the City of London which covers just **2.9km²**. Spatially and geographically, it is highly unlikely the City of London would be able to deliver the same quantum of homes as Newham, as the land to develop is simply not available.



Source: Trust for London

The heatmap echoes the observation that there are inequalities across the London boroughs. As the housing crisis in the capital grows, so does the wealth of the existing homeowners. The housing shortages push up house prices which drives housing equality growth for the existing homeowners, fuelling increasing house costs for renters and first-time buyers, widening local and regional inequalities.

WHAT NEXT?

Without the enhanced role for the housing sector, London is going to fail to meet the housing needs of low and middle-income residents, resulting in significant inequalities in the capital. So, how will this be resolved?

LEVELLING-UP

The government describe levelling-up as ‘a moral, social and economic programme for the whole of government.’ On 2 February 2022, the government unveiled the flagship Levelling-Up White Paper² which sets out to transform the planning system in the UK by spreading prosperity and opportunity across all areas.

The Bill was put forward by the previous administration and was championed by the recently re-instated Secretary of State for Levelling-Up, Housing and Communities, Michael Gove. Under the previous secretary, Simon Clarke who was in office for 7 weeks, it was anticipated that amendments were likely to be made, including tweaks to the implementation of Investment Zones. It would be unsurprising if the bill was modified further in line with renewed ambitions, policies, and strategies as the new Prime Minister, Rishi Sunak takes office.

Planning laws are set to be overhauled, ending central housebuilding targets and letting local councils approve new developments where local communities are more likely to accept the proposals. This may water down powers of the Planning Inspectorate as it is ‘too easy’ for the body to overrule councils’ decisions. Looking to implement a ‘bottom-up approach’ putting more power in the hands of local people and councillors. Since his appointment, Rishi Sunak has pledged to fix the economy, but to do this, he will need a robust and strong planning system.

LEVELLING-UP THROUGH LOCAL AUTHORITIES

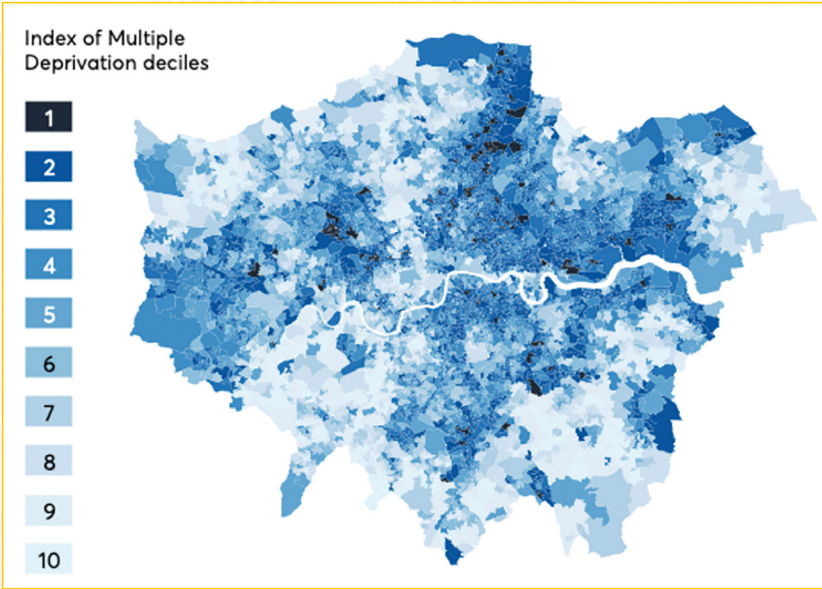
Throughout the financial year 2022/2023, local authorities will see an increase in core spending of **4.1%**, with approximately **£1.5** billion of new grant funding. However, London boroughs will only receive **£240** million of this¹¹. This reduction in funding coupled with the increasing demand for services and needs for social care has contributed to growing pressure on local government finances in the capital.

The combined impact of rising demand and further funding cuts is likely to force London boroughs into making savings of around **£2** billion over the next four years, unless more money is made available in the spending review. Over this same period, it is forecasted that boroughs also plan to use around a third of their earmarked reserves to balance their budgets, which is not sustainable.

This problem is not just focused within London. The Local Government Association (LGA) estimates the public sector will face an overall funding gap of approximately **£7.8** billion by 2025. This estimate assumes local authority services ‘stand still’, only having to meet additional demand and deal with inflation costs. It does not include any of the much-needed extra funding to improve services, meet unfunded burdens or to reverse any cuts made to date or being able to go the extra mile to serve residents.

The Levelling-Up White Paper² provides little assurance that deprived communities in the capital will benefit from the government’s policy programme. The White Paper is largely in favour of reducing inequalities and boosting prosperity in all parts of the UK. It also considers whether London boroughs should have stronger powers and better resources to tackle its ongoing challenges.

More than a quarter (**27%**) of Londoners live in relative poverty after housing costs, with child and in-work poverty rates particularly high. Four out of ten children in the capital are defined as living in poverty, with the unemployment rate above the national average and almost a million Londoners in receipt of Universal Credit.



Source: Trust for London

Local authorities are well placed to deliver on many of the government’s levelling-up missions. But their ability to do so across the whole country, not just within London is constrained by funding cuts over the last decade and limits placed on their powers. As with other public services, there is a danger London’s local authorities will lose more funding than other parts of the country because of the Levelling-Up Agenda and recent amendments by the new chancellor, Jeremy Hunt.

London boroughs’ core spending power will remain a fifth lower than it was in 2010/11 in real terms, even though London’s population has grown by a million over the same period. London boroughs face a funding shortfall of up to **£400** million next year due to underlying service pressures, growing inflation, and the impact of Covid-19. Increasing local government funding is essential to making progress on a vast range of levelling-up ambitions.

INVESTMENT ZONES

Investment Zones are designated sites where businesses will benefit from time-limited tax incentives and streamlined planning rules to deliver investment, create jobs and build the homes that communities need. They have been devised with the intention to drive growth and unlock housing across the UK. They will do this by lowering taxes and liberalising planning frameworks to encourage rapid development and business interest.

But what does this mean for LPAs?

As per the government's Good Growth Plan³, 38 upper tier local authorities and mayoral combined authorities, including the Greater London Authority, have expressed interest in designating an Investment Zone within their area. These areas account for nearly **70%** of England's population, and additional authorities may now also want to become involved, making the initiative virtually a national one.

As with any major reform to the planning system, it can be argued there are threats and opportunities created by the implementation of Investment Zones. A common criticism is that they may merely transfer demand from one location to another, creating competition for investment. However, the redistribution from one part of the country to another may be beneficial if it aids levelling-up by increasing the productivity of underperforming areas towards that of higher performing ones. Investment Zones could be extremely successful at enabling development through the stripped-back planning rules, along with tax incentives that encourage development and unlock much needed housing. However, it needs to be determined if this comes at a cost to other sectors such as the environment, impact on the surrounding community and the delivery of genuinely affordable housing.

According to the government's own guidance, authorities that are successful at establishing an Investment Zone will have the ability to work with officials on their proposals, including agreeing on specific tax incentives and planning liberalisations¹². This results in a stripped-back application route, with fewer planning contributions, less onerous consultation requirements and lower environmental rules. The key changes to the planning system in these zones may include:

- Reduced consultation requirements;
- The removal of EU regulations relating to environmental protection;
- National and local policy requirements relaxed including design, heritage, green belt, flooding and building safety;
- Developer contributions focussed on essential infrastructure requirements.

What does this mean for the delivery of affordable homes?

Within the established Investment Zones, there is likely to be a scaling back of key policy requirements where planning obligations will be focused on essential infrastructure requirements. This would mean the end of funding of affordable housing through S106 obligations within the investment areas, and it has yet to be clarified where the funding for the delivery of affordable housing will come from. Will this be a priority in any/all Investment Zones?

Generally, within the UK we operate with a centralised government where almost all strategic, policy and design decisions are managed by Westminster, which creates a one-size-fits all approach which does not always meet the needs of the local area. While this has been recognised in the Levelling-Up Agenda, through the introduction of Investment Zones, councils will have to consider whether the potential loss of planning control and planning gain contributions will outweigh the benefits. While it's widely acknowledged the reform will allow development to be brought forward in a timely manner, it may neglect the principles of high-quality design and local support. A balance needs to be struck when identifying each Investment Zone's specific objectives, which elements of the planning system can be reduced to secure the investment from the government, and at what level LPAs are involved in the decision-making process within these zones.

FINAL THOUGHTS

London is one of the most deprived areas within the UK, which may in part be driven by the planning system creating unequal opportunities. The LGA claims that nine out of ten planning applications are approved by LPAs, and that more than a million homes have been granted planning permission across the UK, but are not yet built.

Through the recent planning reforms, the government aims to reduce inequality through the implementation of Investment Zones and the devolution of powers to LPAs to ensure that those closest to the issues are making the decisions. However, it is unclear how this will play out, as the potential stripping back of the planning application process within the Investment Zones may result in the needs of the local authority and local communities not being met. Generally, through the introduction of Investment Zones, councils will need to consider whether it may neglect the principles of high-quality design and local support.

The devolution of power and funding from national to local government may result in decisions that are made closer to local communities and be key in delivering on the government's ambitions to level-up the country. However, unless local authorities have greater control over policy and local budgets, they will not reach their full potential.

Devolution needs to work for everyone. This requires a holistic and integrated approach that addresses several ongoing issues within society. Fiscal devolution has the potential for authorities to raise money locally and have greater control over how this money is spent in local areas. It could also allow authorities to access a diverse range of revenue sources so that they are able to adjust and introduce local levies in consultation with their residents and businesses, innovating and diversifying their tax base in response to new public priorities. This could be through the right to create new Tax Increment Financing (TIF) zones to support investment by allowing local authorities to borrow against predicted growth in their locally raised business rates to support locally driven economic development.

However, this will not resolve the revenue gap currently facing boroughs, but it would allow them significantly greater freedom and flexibility to invest in their physical and social infrastructure.

Planning reform also creates the opportunity for the devolution of planning powers. The power for boroughs to streamline and standardise the local plan process could prevent blockages in delivery and improve resources. We have already started to see this shift through the Levelling-Up Bill. For example, the removal of the requirement of a rolling five-year land supply will reduce speculative development and will give more weight to local plans when making decisions on planning applications. Additionally, the replacement of Community Infrastructure Levy (CIL) in England with the Infrastructure Levy (IL) (except for Mayoral CIL in London) will be non-negotiable and set at the local level which should aid in the delivery of more affordable housing and infrastructure contributions at a local authority level.

However, without other key decisions being made by local authorities such as the revoking of permitted development rights, and the ability to implement tangible powers for development to build out, it can be argued that this does not go far enough.

The devolution of powers is not novel and is not a one-size fits all approach. A combined approach is required between the public, private and non-governmental sectors. Given the complex and multifaceted nature of devolution, it is uncertain as to when, or if, appropriate and impactful devolution will occur.

It goes without saying that fundamentally councils do not want to be seen to stand in the way of development, but LPAs must continuously evolve and develop with the everchanging planning reforms implemented by central government in addition to the shifting day-to-day challenges.

REFERENCES

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